

Senate File 549

H-1211

1 Amend Senate File 549, as amended, passed, and reprinted by
2 the Senate, as follows:

3 1. By striking everything after the enacting clause and
4 inserting:

5 <Section 1. NEW SECTION. 432.1A Tax on premiums — captive
6 insurance companies.

7 1. a. Each captive company under chapter 521J shall pay
8 on or before March 1 of each year a tax on the direct premiums
9 collected or contracted for on policies or contracts of
10 insurance written by the captive company during the immediately
11 preceding calendar year, after deducting from the direct
12 premiums the amounts paid to policyholders as return premiums,
13 including dividends on unabsorbed premiums or premium deposits
14 returned or credited to policyholders.

15 b. The tax due under paragraph "a" on direct premiums
16 collected or contracted for by a captive company shall be
17 calculated as follows:

18 (1) Seven-twentieths of one percent on the first twenty
19 million dollars of direct premiums.

20 (2) One-quarter of one percent on each dollar of direct
21 premiums after the first twenty million dollars collected under
22 subparagraph (1).

23 2. a. Each captive company under chapter 521J shall pay
24 on or before March 1 of each year a tax on assumed reinsurance
25 premiums. A reinsurance tax shall not apply to premiums for
26 risks or portions of risks that are subject to taxation on a
27 direct basis pursuant to subsection 1.

28 b. A reinsurance premium tax shall not be payable by a
29 captive company in connection with the receipt by the captive
30 company of assets in exchange for the assumption of loss
31 reserves and other liabilities of another insurer under common
32 ownership and control if the transaction is part of a plan
33 to discontinue the operations of the other insurer, and if
34 the intent of the parties to the transaction is to renew or
35 maintain the other insurer's business with the captive company.

1 *c.* The amount of reinsurance tax due from a captive company
2 under paragraph "a" shall be calculated as follows:

3 (1) Two-tenths of one percent on the first twenty million
4 dollars of assumed reinsurance premiums.

5 (2) One-eighth of one percent on the twenty million
6 dollars of assumed reinsurance premiums collected after the
7 first twenty million dollars of assumed reinsurance premiums
8 collected under subparagraph (1).

9 (3) Five percent on each dollar of assumed reinsurance
10 premiums collected after the twenty million dollars collected
11 under subparagraph (1) and the twenty million dollars collected
12 under subparagraph (2).

13 3. *a.* (1) Except as provided in subparagraphs (2) and
14 (3), if the aggregate taxes as calculated under subsections
15 1 and 2 that are payable by a captive company are less than
16 five thousand dollars for any one tax year, the captive company
17 shall pay five thousand dollars in tax for that tax year.

18 (2) If a captive company is subject to the minimum tax under
19 subparagraph (1) in the calendar year in which the company is
20 first granted a certificate of authority under section 521J.2,
21 the tax shall be prorated as follows:

22 (a) If a certificate of authority is first granted in the
23 first quarter of the calendar year, the tax shall be five
24 thousand dollars.

25 (b) If a certificate of authority is first granted in the
26 second quarter of the calendar year, the tax shall be three
27 thousand seven hundred fifty dollars.

28 (c) If a certificate of authority is first granted in
29 the third quarter of the calendar year, the tax shall be two
30 thousand five hundred dollars.

31 (d) If a certificate of authority is first granted in the
32 fourth quarter of the calendar year, the tax shall be one
33 thousand five hundred dollars.

34 (3) If a captive company that is subject to the minimum tax
35 under subparagraph (1) surrenders the company's certificate of

1 authority in the year that the captive company is subject to
2 the minimum tax, the tax shall be prorated on a quarterly basis
3 as follows:

4 (a) If the certificate of authority is surrendered in
5 the first quarter of the calendar year, the tax shall be one
6 thousand dollars.

7 (b) If the certificate of authority is surrendered in the
8 second quarter of the calendar year, the tax shall be two
9 thousand five hundred dollars.

10 (c) If the certificate of authority is surrendered in the
11 third quarter of the calendar year, the tax shall be three
12 thousand seven hundred fifty dollars.

13 (d) If the certificate of authority is surrendered in the
14 fourth quarter of the calendar year, the tax shall be five
15 thousand dollars.

16 b. Each protected cell in a protected cell captive company
17 shall be considered separately in determining the aggregate
18 tax to be paid by the protected cell captive company. If the
19 protected cell captive company insures any risks in addition
20 to the protected cells, the determination of the aggregate tax
21 shall, in addition to the protected cells, also include the
22 premium on all insured risks.

23 c. Each series of members of a limited liability company
24 formed as a special purpose captive company shall be considered
25 separately under this section, except that the minimum tax as
26 described in paragraph "a" shall be considered in the aggregate.

27 4. A captive company, other than a protected cell captive
28 company, shall not be required to pay aggregate taxes under
29 this section that exceed one hundred thousand dollars in any
30 one tax year.

31 5. Two or more captive companies under common ownership
32 and control shall be taxed as a single captive company. For
33 the purposes of this subsection, "*common ownership and control*"
34 means either of the following:

35 a. In the case of a stock corporation, the direct or

1 indirect ownership of eighty percent or more of the outstanding
2 voting stock of two or more corporations by the same
3 shareholder or shareholders.

4 *b.* In the case of a mutual insurer, the direct or indirect
5 ownership of eighty percent or more of the surplus, and the
6 voting power of two or more insurers, by the same member or
7 members.

8 6. Only the branch business of a branch captive company
9 shall be subject to taxation under this section.

10 7. The tax provided for in this section shall be calculated
11 on an annual basis notwithstanding a policy or a contract
12 of insurance, or a contract of reinsurance, that is issued
13 on a multiyear basis. In the case of a multiyear policy or
14 a multiyear contract, the premium shall be prorated for the
15 purpose of calculating the appropriate tax.

16 Sec. 2. Section 507C.3, Code 2023, is amended by adding the
17 following new subsection:

18 NEW SUBSECTION. 8. Captive companies under chapter 521J.

19 Sec. 3. NEW SECTION. 521J.1 **Definitions.**

20 As used in this chapter, unless the context otherwise
21 requires:

22 1. "*Affiliated company*" means a company that is in the
23 same corporate system as a parent, an industrial insured, or
24 a member based on common ownership, control, operation, or
25 management.

26 2. "*Alien captive company*" means a captive company
27 formed under the laws of an alien jurisdiction that imposes
28 statutory or regulatory standards in a form acceptable to the
29 commissioner on companies transacting the business of insurance
30 in such jurisdiction.

31 3. "*Branch business*" means any insurance business transacted
32 by a branch captive company in this state.

33 4. "*Branch captive company*" means an alien captive company
34 authorized by the commissioner by rule to transact the business
35 of insurance in this state through a business entity with its

1 principal place of business in this state.

2 5. "*Branch operations*" means any business operations of a
3 branch captive company.

4 6. "*Business entity*" means a corporation, a limited
5 liability company, or other legal entity formed by an
6 organizational document. "*Business entity*" does not include a
7 sole proprietorship.

8 7. "*Captive company*" means any pure captive company,
9 protected cell captive company, special purpose captive
10 company, or industrial insured captive company formed or
11 authorized under this chapter.

12 8. "*Captive reinsurance company*" means a captive insurance
13 company in this state, as authorized by the commissioner by
14 rule, that reinsures the risk ceded by any other insurer.

15 9. "*Captive risk retention group*" means a captive insurance
16 risk retention group formed under this chapter and that is
17 subject to chapter 515E.

18 10. "*Cash equivalent*" means any short-term, highly liquid
19 investment with an original maturity of three months or less
20 that is readily convertible to known amounts of cash.

21 11. "*Commissioner*" means the commissioner of insurance.

22 12. "*Controlled unaffiliated business entity*" means a
23 business entity or sole proprietorship that meets all of the
24 following requirements:

25 a. The business entity or sole proprietorship is not in a
26 parent's corporate system that consists of the parent and any
27 affiliated companies.

28 b. The business entity or sole proprietorship has an
29 existing, controlling contractual relationship with the parent
30 or an affiliated company.

31 c. The business entity's or sole proprietorship's risks
32 are managed by a pure captive company or an industrial insured
33 captive company, as applicable.

34 13. "*Excess workers' compensation insurance*" means, for
35 an employer that has insured or self-insured the employer's

1 workers' compensation risks in accordance with applicable state
2 or federal law, insurance in excess of a specified per-incident
3 or aggregate limit as established by the commissioner by rule.

4 14. "*Industrial insured*" means an insured that meets all of
5 the following requirements:

6 a. The insured procures the insurance of any risk by use
7 of the services of a full-time employee acting as an insurance
8 manager or buyer.

9 b. The insured's aggregate annual premiums for insurance on
10 all risks are at least twenty-five thousand dollars.

11 c. The insured employs a minimum of twenty-five full-time
12 employees.

13 15. "*Industrial insured captive company*" means an insurance
14 company that insures the risks of industrial insureds,
15 comprised of the industrial insured group and the industrial
16 insured group's affiliated companies and the risks of the
17 controlled unaffiliated business of an industrial insured or
18 its affiliates.

19 16. "*Industrial insured group*" means a group of industrial
20 insureds that meets either of the following requirements:

21 a. The group collectively owns, controls, or holds with
22 the power to vote all of the outstanding voting securities
23 of an industrial insured captive company incorporated as a
24 stock insurer, or has complete voting control over any of the
25 following:

26 (1) An industrial insured captive company incorporated as
27 a mutual insurer.

28 (2) An industrial insured captive company formed as a
29 reciprocal insurer.

30 (3) An industrial insured captive company formed as a
31 limited liability company.

32 b. The group is a captive risk retention group.

33 17. "*Mutual insurer*" means a business entity that does
34 not have capital stock, and that has a governing body elected
35 by the insurer's policyholders. "*Mutual insurer*" includes a

1 nonprofit corporation with members.

2 18. "*Organizational document*" means articles of
3 incorporation, articles of organization, a subscribers'
4 agreement, a charter, or any other document that can legally
5 establish a business entity in this state.

6 19. "*Parent*" means a sole proprietorship, a business entity,
7 or an individual that directly or indirectly owns, controls,
8 or holds with power to vote more than fifty percent of the
9 outstanding voting securities or membership interests of a
10 captive company.

11 20. "*Participant*" means a sole proprietorship or a business
12 entity and any affiliates that are insured by a protected cell
13 captive company and whose losses are limited by a participant
14 contract to such participant's pro rata share of the assets
15 of one or more protected cells identified in the participant
16 contract.

17 21. "*Participant contract*" means a contract by which
18 a protected cell captive company insures the risks of a
19 participant and limits the losses of each participant in the
20 contract to the participant's pro rata share of the assets of
21 one or more protected cells as identified in the contract.

22 22. "*Protected cell*" means a separate account established
23 by a protected cell captive company formed or authorized
24 under this chapter in which an identified pool of assets and
25 liabilities are segregated and insulated, as provided in
26 section 521J.17, from the remainder of the protected cell
27 captive company's assets and liabilities in accordance with
28 the terms of one or more participant contracts to fund the
29 liability of the protected cell captive company with respect to
30 the participants.

31 23. "*Protected cell assets*" means all assets, contract
32 rights, and general intangibles identified and attributable to
33 a specific protected cell of a protected cell captive company.

34 24. "*Protected cell captive company*" means a captive company
35 that meets all of the following requirements:

1 *a.* The minimum legally required capital and surplus of the
2 company is provided by one or more sponsors.

3 *b.* The company is formed or authorized under this chapter.

4 *c.* The company insures the risks of separate participants
5 through participant contracts.

6 *d.* The company funds the company's liability to each
7 participant through one or more protected cells, and segregates
8 the assets of each protected cell from the assets of other
9 protected cells, and from the assets of the protected cell
10 captive company's general account.

11 *e.* The company is incorporated or formed as a limited
12 liability company.

13 25. "*Protected cell liabilities*" means all liabilities
14 and other obligations identified with and attributable to a
15 specific protected cell of a protected cell captive company.

16 26. "*Public records*" means the same as defined in section
17 22.1.

18 27. "*Pure captive company*" means an insurance company that
19 insures the risks of the company's parent and the parent's
20 affiliated companies, and the risks of controlled unaffiliated
21 business entities.

22 28. "*Qualified actuary*" means an individual who meets all
23 of the following requirements:

24 *a.* The individual is a member of the American academy of
25 actuaries.

26 *b.* The individual is qualified to provide the certifications
27 as described in the United States qualifications standards
28 promulgated by the American academy of actuaries pursuant
29 to the code of professional conduct adopted by the American
30 academy of actuaries, the society of actuaries, the American
31 society of pension professionals and actuaries, the casualty
32 actuarial society, and the conference of consulting actuaries.

33 29. "*Series of members*" means a group or collection of
34 members of a limited liability company who share interests
35 and who have separate rights, powers, or duties with respect

1 to property, obligations, or profits and losses associated
2 with property or obligations, and who are specified in the
3 organizational document or operating agreement of the limited
4 liability company, or that are specified by one or more
5 members or managers of the limited liability company or other
6 persons as provided in the organizational document or operating
7 agreement.

8 30. "*Sole proprietorship*" means an individual who does
9 business in a noncorporate form.

10 31. "*Special purpose captive company*" means a captive
11 company that is formed or authorized under this chapter that
12 does not meet the definition of any other type of captive
13 company as defined in this section, or that is formed by, on
14 behalf of, or for the benefit of a political subdivision of
15 this state.

16 32. "*Sponsor*" means any person that meets the requirements
17 of sections 521J.17 and 521J.18, and that is approved by the
18 commissioner to do all of the following:

19 a. Provide all or part of the capital and surplus required
20 of a protected cell captive company by law.

21 b. Organize and operate a protected cell captive company.

22 Sec. 4. NEW SECTION. 521J.2 **Certificate of authority.**

23 1. If permitted by its organizational document, a captive
24 company may apply to the commissioner for a certificate of
25 authority to provide property insurance, casualty insurance,
26 life insurance, disability income insurance, surety insurance,
27 marine insurance, health insurance, or a group health plan,
28 with the following exceptions:

29 a. A pure captive company shall only insure risks of the
30 company's parent and affiliated companies, and of the company's
31 controlled unaffiliated business entities.

32 b. An industrial insured captive company shall only insure
33 risks of the industrial insured company, comprised of the
34 industrial insured group and the industrial insured group's
35 affiliated companies, and the controlled unaffiliated business

1 of an industrial insured group or the industrial insured
2 group's affiliated companies.

3 *c.* A special purpose captive company shall not provide
4 insurance or reinsurance for risks unless approved by the
5 commissioner.

6 *d.* A captive company or a branch captive company shall not
7 do any of the following:

8 (1) Provide personal lines of insurance, including but not
9 limited to motor vehicle insurance, homeowner's insurance,
10 or any component of motor vehicle insurance or homeowner's
11 insurance on a direct basis.

12 (2) Accept or cede reinsurance except as permitted by the
13 commissioner by rule.

14 (3) Provide health insurance coverage or a group health
15 plan unless the captive company or the branch captive company
16 provides the health insurance coverage or the group health plan
17 only for the parent company and the parent company's affiliated
18 companies.

19 (4) Write workers' compensation insurance on a direct
20 basis.

21 (5) Write life insurance on a direct basis.

22 *e.* A protected cell captive company shall not insure any
23 risks other than those of the protected cell captive company's
24 participants.

25 2. A captive company shall not write any insurance business
26 unless the captive company complies with all of the following:

27 *a.* The captive company obtains a certificate of authority
28 from the commissioner prior to writing any insurance business.

29 *b.* The captive company's board of directors, board of
30 managing members, or a reciprocal insurer's subscribers'
31 advisory committee, holds at least one annual meeting in the
32 state.

33 *c.* The captive company maintains its principal place of
34 business in the state.

35 *d.* The captive company designates a registered agent

1 to accept service of process, files the name and contact
2 information and any subsequent changes regarding the
3 registered agent with the commissioner, and agrees that if the
4 registered agent cannot be found with reasonable diligence, the
5 commissioner may act as an agent of the captive company with
6 respect to any action or proceeding and may be served pursuant
7 to section 505.30.

8 3. *a.* Prior to receiving a certificate of authority, a
9 captive company shall do all of the following:

10 (1) File with the commissioner all of the following:

11 (a) A certified copy of the business entity's
12 organizational document.

13 (b) A statement under oath of an officer of the business
14 entity showing the business entity's financial condition.

15 (c) Any other statement or document required by the
16 commissioner as established by rule.

17 (2) Submit a description of coverages, deductibles,
18 coverage limits, rates, and any additional information
19 requested by the commissioner to the commissioner for approval.

20 (3) Provide a statement to the commissioner that describes
21 all of the following:

22 (a) The character, reputation, and financial standing of
23 the organizers of the business entity.

24 (b) The character, reputation, financial responsibility,
25 insurance experience, and business qualifications of all
26 officers, directors, and managing members of the business
27 entity.

28 (4) Provide any other information required by the
29 commissioner as established by rule.

30 *b.* If there is a subsequent material change in the
31 information provided to the commissioner under paragraph
32 "a", the captive company shall submit appropriate supporting
33 documentation to the commissioner for approval. The captive
34 company shall not offer any additional lines of insurance until
35 on or after the date on which the commissioner approves the

1 supporting documentation. The captive company shall inform the
2 commissioner of any change in rates within thirty calendar days
3 of the captive company's adoption of a change in rate.

4 c. In addition to the information required under paragraphs
5 "a" and "b", each applicant captive company shall file with the
6 commissioner evidence of all of the following:

7 (1) The amount and liquidity of the captive company's assets
8 relative to the risks to be assumed by the captive company.

9 (2) The adequacy of the expertise, experience, and
10 character of the persons who will manage the captive company.

11 (3) The overall soundness of the captive company's plan of
12 operation.

13 (4) The adequacy of the loss prevention program of the
14 captive company's parent, members, or industrial insureds, as
15 applicable.

16 (5) Any other factors deemed relevant by the commissioner to
17 ascertain if the proposed captive company will be able to meet
18 the company's policy obligations.

19 d. In addition to the information required under paragraph
20 "a", each applicant that is a protected cell captive company
21 shall file with the commissioner all of the following:

22 (1) A business plan that demonstrates, at a level of detail
23 deemed sufficient by the commissioner, how the applicant will
24 account for the loss and expense experience of each protected
25 cell, and how the applicant will report the loss and expense
26 experience of each protected cell to the commissioner.

27 (2) A statement that acknowledges that all financial
28 records of the protected cell captive company, including
29 records pertaining to any protected cells, shall be made
30 available upon request for inspection or examination by the
31 commissioner or the commissioner's designated agent.

32 (3) A copy of each participant contract.

33 (4) Evidence that expenses will be allocated to each
34 protected cell in a fair and equitable manner.

35 e. In addition to the requirements of paragraph "a", a

1 captive company formed as a reciprocal insurer shall file with
2 the commissioner a certified copy of the power of attorney of
3 the reciprocal insurer's attorney-in-fact, a certified copy of
4 the reciprocal insurer's subscribers' agreement, a statement
5 under oath of the reciprocal insurer's attorney-in-fact that
6 shows the reciprocal insurer's financial condition, and any
7 other statements or documents required by the commissioner as
8 established by rule.

9 *f.* All documents and information submitted pursuant to this
10 subsection shall be confidential and shall not be made public
11 without the advance written consent of the submitting company,
12 with the following exceptions:

13 (1) The documents and information shall be discoverable
14 by a party in a civil action or in a contested case to which
15 the captive company that submitted the information is a party
16 upon a showing by the party seeking to discover the information
17 that the information sought is relevant to, and necessary for,
18 the furtherance of the action or case; the information sought
19 is unavailable from other nonconfidential sources; and that a
20 subpoena issued by a judicial or an administrative officer has
21 been submitted to the commissioner.

22 (2) The commissioner may, in the commissioner's discretion,
23 disclose the documents and information to a public official
24 having jurisdiction over the regulation of insurance in another
25 state, or to a public official of the federal government,
26 provided that the public official agrees in writing to maintain
27 the confidentiality of the information, and that the laws of
28 the state in which the public official serves require that the
29 information remain confidential.

30 4. *a.* Each captive company, each individual series of
31 members of a limited liability company, and each protected
32 cell shall pay a nonrefundable fee to the commissioner of
33 two hundred dollars for the examination, investigation, and
34 processing of its application for a certificate of authority.
35 The commissioner shall be authorized to retain legal,

1 financial, and examination services from outside experts as
2 necessary for review of the application, the reasonable cost of
3 which may be charged to the applicant.

4 *b.* Each captive insurance company, each individual series of
5 members of a limited liability company, and each protected cell
6 shall pay an initial registration fee, and an annual renewal
7 registration fee, of three hundred dollars.

8 5. If the commissioner is satisfied with the documents
9 and statements that an applicant captive company has filed in
10 compliance with this chapter, and the applicable provisions
11 of Title XIII, subtitle 1, the commissioner may grant a
12 certificate of authority to the captive company that permits
13 the company to do the business of insurance in this state. The
14 certificate of authority must be renewed annually and may be
15 renewed if the applicant is in compliance with this chapter.

16 **Sec. 5. NEW SECTION. 521J.3 Captive companies — names.**

17 A captive company shall not adopt a name that is the same,
18 deceptively similar, or likely to be confused with or mistaken
19 for any other existing business name already registered in this
20 state.

21 **Sec. 6. NEW SECTION. 521J.4 Minimum capital and surplus**
22 **requirements.**

23 1. The commissioner shall not issue a certificate of
24 authority to a captive company unless the captive company
25 possesses and maintains unimpaired paid-in capital and surplus
26 that meets the following requirements:

27 *a.* Is not less than two hundred fifty thousand dollars for
28 a pure captive company.

29 *b.* Is not less than five hundred thousand dollars for an
30 industrial insured captive company, including a captive risk
31 retention group.

32 *c.* Is an amount as determined by the commissioner after
33 giving due consideration to the captive company's business
34 plan, feasibility study, and pro forma documents, including,
35 for a special purpose captive company, the nature of the risks

1 to be insured.

2 *d.* Is not less than five hundred thousand dollars for a
3 protected cell captive company. If, however, the protected
4 cell captive company does not assume any risks, the risks
5 insured by the protected cells are homogenous, and there are
6 not more than ten cells, the commissioner may reduce the amount
7 to an amount not less than two hundred fifty thousand dollars.

8 *e.* Is not less than the applicable amount of capital and
9 surplus required in paragraphs *a* through *d*, as determined
10 based upon the organizational form of the alien captive
11 company, for a branch captive company. The minimum capital
12 and surplus shall be jointly held by the commissioner and the
13 branch captive company in a bank of the federal reserve system
14 as approved by the commissioner by rule.

15 *f.* Is not less than fifty percent of the capital required
16 for that type of captive company for a captive reinsurance
17 company.

18 2. The commissioner may require additional capital and
19 surplus for a captive company under subsection 1 based upon the
20 type, volume, and nature of the insurance business transacted
21 by the captive company.

22 3. The capital and surplus required under subsection 1 and
23 subsection 2, if applicable, shall be in the form of cash,
24 cash equivalent, or an irrevocable letter of credit on a form
25 as prescribed by the commissioner by rule and as issued by
26 a bank chartered by the state of Iowa, a member bank of the
27 federal reserve system, or a bank chartered by another state if
28 approved by the commissioner.

29 **Sec. 7. NEW SECTION. 521J.5 Captive companies — formation.**

30 1. A captive company must be formed or organized as a
31 business entity as provided under this chapter.

32 2. An industrial insured captive company shall be formed or
33 organized in one of the following ways:

34 *a.* Incorporated as a stock insurer with the stock insurer's
35 capital divided into shares and held by the stockholders.

1 *b.* Incorporated as a mutual insurer without capital stock.
2 *c.* Organized as a reciprocal insurer as permitted by the
3 commissioner by rule.
4 *d.* Organized as a manager-managed limited liability company.
5 3. A captive company incorporated or organized in this state
6 shall be incorporated or organized by at least one incorporator
7 or organizer who is a resident of the state.
8 4. The capital stock of a captive company incorporated as a
9 stock insurer may be authorized with no par value.
10 5. *a.* At least one member of the board of directors of a
11 captive company shall be a resident of this state. A captive
12 risk retention group shall have a minimum of five directors.
13 *b.* A captive company formed as a limited liability company
14 shall have at least one manager who is a resident of this
15 state. A captive risk retention group formed as a limited
16 liability company shall not be required to have a manager who
17 is a resident of this state; however, the limited liability
18 company shall maintain a board of directors of which at least
19 one board member shall be a resident of this state.
20 *c.* A reciprocal insurer shall have at least one member
21 of the subscribers' advisory committee who is a resident
22 of this state. A captive risk retention group formed as a
23 reciprocal insurer shall have a minimum of five members of
24 the subscribers' advisory committee who are residents of this
25 state.
26 6. *a.* A captive company formed as a corporation or another
27 business entity shall have the privileges of, and shall be
28 subject to, state laws governing corporations or other business
29 entities, and the applicable provisions of this chapter.
30 *b.* In the event of a conflict between a state law governing
31 corporations or other business entities and this chapter, this
32 chapter shall take precedence.
33 7. *a.* A subscribers' agreement, or other organizational
34 document of a captive company formed as a reciprocal insurer,
35 shall authorize a quorum of a subscribers' advisory committee

1 to consist of at least one-third of the number of members on
2 the advisory committee.

3 *b.* In addition to this chapter, a captive risk retention
4 group shall be subject to chapter 515E. In the event of a
5 conflict between chapter 515E and this chapter, this chapter
6 shall take precedence.

7 8. Except as provided in section 521J.11, applicable
8 provisions of chapter 508B shall apply to a merger,
9 consolidation, conversion, mutualization, or voluntary
10 dissolution by a captive company.

11 9. *a.* An alien captive company must apply to the secretary
12 of state for a certificate of authority for the alien captive
13 company's branch captive company to transact business in this
14 state.

15 *b.* A branch captive company established under this chapter
16 to write, in this state, only insurance or reinsurance of the
17 employee benefit business of the branch captive company's
18 parent and affiliated companies shall be subject to the federal
19 Employee Retirement Income Security Act of 1974, 29 U.S.C.
20 §1001, et seq.

21 *c.* A branch captive company shall not conduct any insurance
22 business in this state unless the branch captive company
23 maintains the principal place of business for the company's
24 branch operations in this state.

25 **Sec. 8. NEW SECTION. 521J.6 Dividends.**

26 1. A captive company shall not pay a dividend out of, or
27 other distribution with respect to, the minimum capital or
28 surplus required under section 521J.4 without the prior written
29 approval of the commissioner.

30 2. The commissioner's approval of an ongoing plan for
31 the payment of dividends or other distributions shall be
32 conditioned upon retention, at the time of each payment, of
33 capital and surplus in excess of the amounts specified by,
34 or determined in accordance with, a formula approved by the
35 commissioner by rule.

1 Sec. 9. NEW SECTION. 521J.7 Reports.

2 1. A captive company shall be required to file an annual
3 report with the commissioner that meets the following
4 requirements:

5 *a.* Except as provided in paragraph "b", on or before April
6 1 of each year, each captive company and each captive risk
7 retention group shall submit to the commissioner a report on
8 the company's financial condition as of December 31 of the
9 preceding year, as verified by oath of two of the company's or
10 group's executive officers. The report shall be submitted in a
11 form and manner as prescribed by the commissioner by rule.

12 *b.* A captive company, other than a captive risk retention
13 group, may apply to the commissioner to file the report
14 required under paragraph "a" on a fiscal year-end basis. If
15 the commissioner approves reporting on a fiscal year-end basis,
16 the captive company shall comply with all of the following
17 requirements:

18 (1) Subject to subparagraph (2), the captive's company
19 report shall be filed no later than ninety calendar days after
20 the close of the company's fiscal year.

21 (2) Prior to April 1, the captive company shall file a
22 report covering the immediately preceding calendar year with
23 the commissioner to provide sufficient information to support
24 the captive company's premium tax return under section 432.1A.

25 *c.* Each captive company shall use generally accepted
26 accounting principles, unless the commissioner requires,
27 approves, or accepts the use of statutory accounting principles
28 or any other comprehensive accounting principles for the
29 company's report. The commissioner may require, approve, or
30 accept any appropriate or necessary modifications of statutory
31 accounting principles or other comprehensive accounting
32 principles based on the type of insurance and kinds of insurers
33 that are included in a captive company's report. The report
34 may include letters of credit that are established, issued, or
35 confirmed by any of the following:

1 (1) A bank chartered in this state.

2 (2) A member of the federal reserve system.

3 (3) A bank chartered by another state, if approved by the
4 commissioner.

5 *d.* An actuarial opinion from a qualified actuary regarding
6 the adequacy of the company's required reserves to make full
7 provision for the company's liabilities, insured or reinsured,
8 shall be included in the report. The qualified actuary
9 shall submit a memorandum to the commissioner that details
10 the qualified actuary's support for the actuarial opinion.
11 The commissioner may require that additional information be
12 submitted to supplement the actuarial opinion.

13 *e.* All captive companies shall be audited annually by an
14 independent certified public accountant and shall annually file
15 the audited financial report with the commissioner on or before
16 June 1, as a supplement to the annual report required under
17 section 521J.7, subsection 1.

18 *f.* A captive company may request an extension to file a
19 report required by this section. A written request for an
20 extension must be received by the commissioner not less than
21 ten days before the filing due date, and the request must
22 contain sufficient details to enable the commissioner to make
23 an informed decision regarding the request. The commissioner
24 may grant a thirty-day extension upon a determination by the
25 commissioner that a captive company has good cause for the
26 extension.

27 *g.* A captive company may be required to file a report on
28 the captive company's financial condition on a semiannual,
29 quarterly, monthly, or other basis as determined by the
30 commissioner.

31 *h.* Captive companies shall file all reports required
32 under this section in the form and manner prescribed by the
33 commissioner by rule.

34 2. All reports filed pursuant to this section shall be
35 considered confidential and shall not be a public record.

1 Sec. 10. NEW SECTION. 521J.8 Examinations.

2 1. *a.* Except for captive risk retention groups as provided
3 under paragraph "*c*", the commissioner may examine each captive
4 company's compliance with this chapter, and may examine the
5 affairs, transactions, accounts, records, and assets of each
6 captive company as the commissioner deems necessary.

7 *b.* The commissioner shall upon the completion of an
8 examination under paragraph "*a*", or at such regular intervals
9 prior to completion of an examination as the commissioner
10 determines, prepare an account of the costs incurred in
11 performing and preparing the report of the examination which
12 shall be charged to and paid by the captive company examined.
13 If the captive company fails or refuses to pay the charges, the
14 charges may be recovered in an action brought in the name of
15 the state.

16 *c.* The commissioner shall examine the affairs, transactions,
17 accounts, records, and assets of each captive risk retention
18 group as the commissioner deems necessary, but no less
19 frequently than every three calendar years. A report produced
20 pursuant to the examination of a captive risk retention group
21 under this section shall be a public record.

22 2. Except as provided in subsection 3, this section shall
23 apply to all business written by a captive company.

24 3. An examination of a branch captive company shall be
25 conducted only on the branch business and branch operations if
26 all of the following requirements are met:

27 *a.* The branch captive company annually provides the
28 commissioner a certificate of compliance, or equivalent, that
29 was issued by or filed with the licensing authority of the
30 jurisdiction in which the branch captive company is formed.

31 *b.* The branch captive company demonstrates to the
32 satisfaction of the commissioner that the company is operating
33 in sound financial condition and in compliance with all
34 applicable law and regulations of the jurisdiction in which the
35 branch captive company is formed.

1 4. As a condition of authorization of a branch captive
2 company, the alien captive company shall grant authority to
3 the commissioner for examination of the affairs of the alien
4 captive company in the jurisdiction in which the alien captive
5 company is formed.

6 5. The applicable provisions of chapter 507 shall apply to
7 examinations conducted under this chapter.

8 Sec. 11. NEW SECTION. 521J.9 **Suspension or revocation.**

9 1. A captive company's certificate of authority to conduct
10 the business of insurance in this state may be suspended or
11 revoked by the commissioner for any of the following reasons:

12 a. Insolvency or impairment of capital or surplus.

13 b. Failure to meet and maintain the minimum capital and
14 surplus requirements under section 521J.4.

15 c. Refusal or failure to submit an annual report pursuant
16 to section 521J.7, or to submit any other report or statement
17 required by law or by lawful order of the commissioner.

18 d. Failure to comply with the captive company's own charter,
19 bylaws, or other organizational document.

20 e. Failure to submit to an examination as required under
21 section 521J.8.

22 f. Use of methods that render the captive company's
23 operation detrimental, or the company's condition unsound, with
24 respect to the company's policyholders or to the public.

25 g. Failure to pay tax on premiums as required under section
26 432.1A.

27 h. Failure to submit or pay any fee under this chapter.

28 i. Failure to submit to or pay the cost of any examination
29 under this chapter.

30 j. Failure to comply with the laws of this state.

31 2. a. If the commissioner finds upon examination, hearing,
32 or other review that a captive company has committed an
33 act specified in subsection 1, the commissioner may suspend
34 or revoke the company's certificate of authority if the
35 commissioner deems it in the best interest of the public or of

1 the policyholders of the captive company.

2 *b.* If the commissioner does not revoke a captive company's
3 certificate of authority during a suspension imposed by the
4 commissioner under paragraph "a", the company's certificate of
5 authority may be reinstated if the commissioner finds that the
6 cause of the suspension has been rectified.

7 Sec. 12. NEW SECTION. **521J.10 Excess workers' compensation**
8 **insurance.**

9 1. A captive company may provide excess workers'
10 compensation insurance to the captive company's parent and
11 affiliated companies unless the laws of the state that has
12 jurisdiction over the transaction prohibits the captive company
13 from providing excess workers' compensation insurance.

14 2. A captive company may reinsure workers' compensation of
15 a qualified self-insured plan of the captive company's parent
16 and affiliated companies.

17 Sec. 13. NEW SECTION. **521J.11 Captive mergers.**

18 1. A merger between captive stock insurers, or a merger
19 between captive mutual insurers, shall meet the requirements
20 of chapter 521 and section 521J.5, as applicable. The
21 commissioner may, at the commissioner's discretion, provide
22 notice to the public of a proposed merger prior to the
23 commissioner's approval or disapproval of a merger.

24 2. An industrial insured group formed as a stock insurer
25 or as a mutual insurer may be converted to or merged with a
26 reciprocal insurer under this section.

27 3. A plan for conversion or merger shall meet all of the
28 following requirements:

29 *a.* (1) The plan shall be fair and equitable to the
30 shareholders in the case of a stock insurer, or to the
31 policyholders in the case of a mutual insurer.

32 (2) The plan shall provide for the purchase of the shares
33 of any nonconsenting shareholder of a stock insurer, or of the
34 policyholder interests of any nonconsenting policyholder of a
35 mutual insurer.

1 *b.* A plan for conversion to a reciprocal insurer must be
2 approved by the commissioner. The commissioner shall not
3 approve a plan unless the plan meets all of the following
4 requirements:

5 (1) The plan provides for a hearing upon notice to the
6 insurer, directors, officers, and stockholders or policyholders
7 who have the right to appear at the hearing, unless the
8 commissioner waives or modifies the requirements for the
9 hearing.

10 (2) (a) In the case of a stock insurer, the plan provides
11 for the conversion of the existing stockholder interests into
12 subscriber interests in the resulting reciprocal insurer
13 proportionate to the existing stockholder interests, and is
14 approved by a majority of the shareholders who are entitled to
15 vote, and who are represented at a regular or special meeting
16 at which a quorum is present either in person or by proxy.

17 (b) In the case of a mutual insurer, the plan provides
18 for the conversion of the existing policyholder interests
19 into subscriber interests in the resulting reciprocal insurer
20 proportionate to the existing policyholder interests, and
21 is approved by a majority of the voting interests of the
22 policyholders who are represented at a regular or special
23 meeting at which a quorum is present either in person or by
24 proxy.

25 (3) The plan meets the applicable requirements of section
26 521J.5.

27 *c.* If the commissioner approves a plan of conversion, the
28 certificate of authority for the converting insurer shall be
29 amended to state that the converting insurer is a reciprocal
30 insurer. The conversion shall be effective and the corporate
31 existence of the converting entity shall cease to exist on the
32 date on which the amended certificate of authority is issued to
33 the attorney-in-fact for the reciprocal insurer. The resulting
34 reciprocal insurer shall file the articles of merger or the
35 articles of conversion with the secretary of state.

1 Sec. 14. NEW SECTION. 521J.12 Captive insurance —
2 regulatory and supervision fund — appropriation.

3 1. A captive insurance regulatory and supervision fund is
4 established in the state treasury under the control of the
5 division. The fund shall consist of all moneys deposited
6 in the fund pursuant to this section and any other moneys
7 appropriated to or deposited in the fund.

8 2. All fees, assessments, fines, and administrative
9 penalties collected under this chapter shall be deposited in
10 the fund.

11 3. Moneys in the fund are appropriated to the division to
12 administer this chapter, including the maintenance of staff,
13 associated expenses, and necessary contractual services, and
14 for the reimbursement of reasonable expenses incurred by the
15 division to promote captive insurance in this state.

16 4. *a.* Notwithstanding section 8.33, moneys in the fund
17 that remain unencumbered or unobligated at the close of a
18 fiscal year shall not revert but shall remain available for
19 expenditure for the purposes designated.

20 *b.* At the close of each fiscal year, if unencumbered
21 or unobligated moneys remaining in the captive insurance
22 regulatory and supervision fund exceed five hundred thousand
23 dollars, moneys in excess of that amount shall be transferred
24 from the captive insurance regulatory and supervision fund to
25 the general fund of the state.

26 5. The division may temporarily use moneys from the general
27 fund of the state to pay expenses in excess of moneys available
28 in the captive insurance regulatory and supervision fund for
29 the purposes designated in this section if those additional
30 expenditures are fully reimbursable and the division reimburses
31 the general fund of the state in full by the close of the fiscal
32 year. Because any general fund moneys used shall be fully
33 reimbursed, such temporary use of moneys from the general fund
34 of the state shall not constitute an appropriation for purposes
35 of calculating the state general fund expenditure limitation

1 pursuant to section 8.54.

2 Sec. 15. NEW SECTION. 521J.13 Legal investments.

3 1. a. Industrial insured captive companies and captive risk
4 retention groups shall comply with investment requirements as
5 established by the commissioner by rule. The commissioner may
6 approve the use of alternative reliable methods of valuation
7 and rating.

8 b. If a captive company's admitted assets total less
9 than five million dollars, the commissioner may approve an
10 investment of up to twenty percent of the captive company's
11 admitted assets in rated credit instruments in any one
12 investment that meets the requirements established by the
13 commissioner by rule.

14 2. A pure captive company, or a protected cell captive
15 company, shall not be subject to any restrictions on allowable
16 investments, except that the commissioner may prohibit or limit
17 any investment that threatens the solvency or liquidity of the
18 pure captive company.

19 3. Any captive company may make loans to any of the captive
20 company's affiliates with prior written approval of the
21 commissioner, and each loan must be evidenced by a note in a
22 form as approved by the commissioner by rule. Loans made from
23 minimum capital and surplus funds required by section 521J.4
24 shall be prohibited.

25 Sec. 16. NEW SECTION. 521J.14 Reinsurance.

26 1. Subject to the prior approval of the commissioner, a
27 captive company may provide reinsurance on risks ceded by any
28 other insurer.

29 2. Any captive company may take credit for reserves on
30 risks, or portions of risks, ceded to reinsurers as provided
31 under chapter 521B. In order to cede or take credit for the
32 reinsurance of risks or portions of risks ceded to reinsurers
33 that do not comply with chapter 521B, a captive company shall
34 obtain the prior approval of the commissioner.

35 3. Insurance by a captive company of any workers'

1 compensation qualified self-insured plan of the captive
2 company's parent and affiliates shall be deemed to be
3 reinsurance under this chapter.

4 4. In addition to reinsurers authorized under chapter 521B,
5 a captive company may take credit for the reinsurance of risks
6 or portions of risk ceded to a pool or exchange acting as a
7 reinsurer which has been authorized by the commissioner. The
8 commissioner may require documents, financial information, or
9 other evidence that such a reinsurance pool or exchange will be
10 able to provide adequate security for the reinsurance pool's or
11 exchange's financial obligations. The commissioner may deny
12 authorization or impose any limitations on the activities of
13 a reinsurance pool or exchange that, in the commissioner's
14 judgment, are necessary and proper to provide adequate security
15 for the ceding captive company and for the protection and
16 benefit of the public.

17 5. No credit shall be allowed for reinsurance if the
18 reinsurance contract does not result in the complete transfer
19 of the risk or liability to the reinsurer.

20 6. No credit shall be allowed, as an asset or a deduction
21 from liability, to any ceding insurer for reinsurance unless
22 the reinsurance is payable by the assuming insurer on the basis
23 of the liability of the ceding insurer under the contract
24 reinsured without diminution because of the insolvency of the
25 ceding insurer.

26 7. Reinsurance under this section shall be effected
27 through a written agreement of reinsurance setting forth the
28 terms, provisions, and conditions governing the reinsurance.
29 The commissioner may require that complete copies of all
30 reinsurance agreements be filed with and approved by the
31 commissioner.

32 Sec. 17. NEW SECTION. 521J.15 Rating organizations.

33 A captive company shall not be required to join a rating
34 organization.

35 Sec. 18. NEW SECTION. 521J.16 Compulsory organizations.

1 A captive company shall not join or contribute financially
2 to any plan, pool, association, or guaranty or insolvency
3 fund in this state. A captive company, a captive company's
4 insureds, a captive company's parent, and any company
5 affiliated with a captive company shall not receive any benefit
6 from a plan, pool, association, or guaranty or insolvency
7 fund for claims arising out of the operations of the captive
8 company.

9 Sec. 19. NEW SECTION. 521J.17 Protected cell captive
10 companies.

11 1. One or more sponsors may form a protected cell captive
12 company.

13 2. A protected cell captive company formed or authorized
14 under this chapter shall be subject to all of the following
15 requirements:

16 a. (1) A protected cell captive company may establish one
17 or more protected cells subject to the prior written approval
18 of the commissioner of a plan of operation submitted by the
19 protected cell captive company for each protected cell. The
20 plan of operation shall include but is not limited to the
21 specific business objectives and investment guidelines of the
22 protected cell.

23 (2) Upon the commissioner's approval of the protected cell
24 captive company's plan of operation, the company, in accordance
25 with the approved plan of operation, may attribute insurance
26 obligations with respect to its insurance business to the
27 protected cell.

28 (3) A protected cell captive company shall transfer
29 all assets attributable to a protected cell to one or more
30 separately established and separately identified protected cell
31 accounts bearing the name or designation of that protected
32 cell. Each protected cell shall have a distinct name or
33 designation that must include the words "protected cell".
34 Protected cell assets shall be held in the protected cell
35 accounts for the purpose of satisfying the obligations of the

1 specific protected cell.

2 (4) Each protected cell shall be incorporated. An
3 incorporated protected cell may be organized and operated
4 in any form of business organization as authorized by the
5 commissioner by rule. Each protected cell of a protected cell
6 captive company shall be treated as a captive insurance company
7 under this chapter, except that the limit on maximum yearly
8 aggregate taxes paid under section 432.1A, subsection 4, shall
9 not apply. Unless otherwise permitted by the organizational
10 document of a protected cell captive company, each protected
11 cell of the protected cell captive company must have the same
12 directors, secretary, and registered office as the protected
13 cell captive company.

14 *b.* All attributions of assets and liabilities between a
15 protected cell and the protected cell captive company's general
16 account shall be in accordance with the plan of operation and
17 the participant contracts as approved by the commissioner. No
18 other attribution of assets and liabilities shall be made by
19 a protected cell captive company between the protected cell
20 captive company's general account and the company's protected
21 cells. Any attribution of assets and liabilities between the
22 general account and a protected cell shall be in cash or in
23 readily marketable securities with established market values.

24 *c.* The establishment of a protected cell shall create, with
25 respect to the protected cell, a legal person separate from
26 the protected cell captive company. Amounts attributed to a
27 protected cell under this chapter, including assets transferred
28 to a protected cell account, shall be owned by the protected
29 cell and the protected cell captive company shall not be a
30 trustee, or hold itself out to be a trustee, with respect to
31 the protected cell assets of that protected cell account.

32 *d.* A protected cell captive company may contract with
33 or arrange for an investment adviser or other third party,
34 approved by the commissioner, to manage the protected cell
35 assets of a protected cell if all remuneration, expenses,

1 and other compensation of the third party are paid from the
2 protected cell assets of that protected cell, and not from the
3 protected cell assets of other protected cells or the assets of
4 the protected cell captive company's general account.

5 e. (1) A protected cell captive company shall establish the
6 administrative and accounting procedures necessary to properly
7 identify each protected cell of the protected cell captive
8 company, and the protected cell assets and protected cell
9 liabilities attributable to each protected cell. The directors
10 of a protected cell captive company shall be responsible for
11 all of the following:

12 (a) Maintaining the assets and liabilities of protected
13 cells separately, and separately identifiable, from the assets
14 and liabilities of the protected cell captive company's general
15 account.

16 (b) Maintaining protected cell assets and protected cell
17 liabilities attributable to one protected cell separate,
18 and separately identifiable, from protected cell assets and
19 protected cell liabilities attributable to another protected
20 cell.

21 (2) If a protected cell captive company fails to comply with
22 subparagraph (1), the remedy of tracing shall be applicable to
23 protected cell assets commingled with protected cell assets of
24 other protected cells, or commingled with the assets of the
25 protected cell captive company's general account. The remedy
26 of tracing shall not be the exclusive remedy.

27 f. When establishing a protected cell, a protected cell
28 captive company shall attribute assets with a value at least
29 equal to the reserves attributed to that protected cell to the
30 protected cell.

31 3. Each protected cell shall be accounted for separately
32 on the books and records of the protected cell captive company
33 to reflect the financial condition and result of operations of
34 the protected cell, including but not limited to the net income
35 or loss, dividends or other distributions to participants, and

1 any other factor provided in the participant contract, or as
2 required by the commissioner by rule.

3 4. The assets of a protected cell shall not be chargeable
4 with liabilities arising from any other insurance business of
5 the protected cell captive company.

6 5. A protected cell captive company shall not make a
7 sale, exchange, or other transfer of assets among any of
8 the company's protected cells without the consent of the
9 participants of each affected protected cell.

10 6. A protected cell shall not make a sale, exchange,
11 transfer of assets, dividend, or distribution to a sponsor
12 or to a participant without the commissioner's prior written
13 approval, which shall not be given if the sale, exchange,
14 transfer, dividend, or distribution will result in the
15 insolvency or impairment of the protected cell.

16 7. A protected cell captive company shall annually file
17 with the commissioner any financial reports required by the
18 commissioner, as established by rule, and shall include,
19 without limitation, accounting statements detailing the
20 finances of each protected cell.

21 8. A protected cell captive company shall notify the
22 commissioner in writing within ten business days from the date
23 that a protected cell has become impaired or insolvent, or is
24 otherwise unable to meet its claim or expense obligations.

25 9. A participant contract shall not take effect without the
26 commissioner's prior written approval.

27 10. An addition of any new protected cell, or the withdrawal
28 of any participant of an existing protected cell, shall
29 constitute a change in the business plan of the protected cell
30 captive company, and the change shall not become effective
31 without the prior written approval of the commissioner.

32 11. With respect to each protected cell, business written
33 by a protected cell captive company shall be fronted by an
34 insurance company authorized under the laws of any state, or as
35 approved by the commissioner.

1 12. If a protected cell captive company's business is
2 reinsured, with respect to each protected cell, the protected
3 cell captive company shall comply with at least one of the
4 following requirements:

5 a. The business shall be reinsured by a reinsurer authorized
6 or approved by the commissioner.

7 b. The business shall be secured by a trust fund that is
8 located in the United States for the benefit of policyholders
9 and claimants, and which is funded by an irrevocable letter of
10 credit or other asset that is acceptable to the commissioner,
11 and that is subject to all of the following:

12 (1) The amount of security provided by the trust fund shall
13 not be less than the reserves associated with the liabilities
14 that are not fronted or reinsured, including but not limited
15 to reserves for losses that are allocated for loss adjustment
16 expenses, incurred but not reported losses, and unearned
17 premiums for business written through the participant's
18 protected cell.

19 (2) The commissioner may require the protected cell captive
20 company to increase the funding of any trust.

21 (3) If the form of security in the trust is a letter of
22 credit, the letter of credit shall be established, issued, or
23 confirmed by a bank chartered in this state, a member of the
24 federal reserve system, or a bank chartered by another state if
25 the bank is approved by the commissioner.

26 (4) The commissioner shall approve the form and terms of the
27 trust and trust instrument.

28 **Sec. 20. NEW SECTION. 521J.18 Sponsors — qualifications.**

29 A sponsor of a protected cell captive company may be
30 any person approved by the commissioner, based on the
31 commissioner's determination that the approval of such person
32 as a sponsor is consistent with the purposes of this chapter.
33 In evaluating the qualifications of a proposed sponsor, the
34 commissioner shall consider the type and structure of the
35 proposed sponsor entity, the sponsor's experience in financial

1 operations, the sponsor's financial stability, the sponsor's
2 business reputation, and any other factors deemed relevant
3 by the commissioner. A risk retention group shall not be a
4 sponsor of a protected cell captive company.

5 Sec. 21. NEW SECTION. 521J.19 **Delinquency.**

6 1. Except as otherwise provided in this section, chapter
7 507C shall apply to a protected cell captive company.

8 2. Upon any order of supervision, rehabilitation, or
9 liquidation of a protected cell captive company, the receiver
10 shall manage the assets and liabilities of the protected cell
11 captive company pursuant to this section.

12 3. Notwithstanding chapter 507C or any other provision to
13 law to the contrary, in the conservation, rehabilitation, or
14 liquidation of a protected cell captive company, all of the
15 following requirements shall be met:

16 a. The assets and liabilities of a protected cell shall at
17 all times be kept separate from, and shall not be commingled
18 with, those of other protected cells and the protected cell
19 captive company.

20 b. The assets of a protected cell shall not be used to
21 pay any expenses or claims other than the expenses or claims
22 attributable to the protected cell.

23 c. If the sponsor consents and the commissioner has
24 granted prior written approval, the assets of the protected
25 cell captive company's general account may be used to pay any
26 expenses or claims attributable solely to a protected cell
27 or protected cells of the protected cell captive company.
28 Notwithstanding section 521J.4, if the assets of the protected
29 cell captive company's general account are used to pay expenses
30 or claims attributed solely to a protected cell or protected
31 cells of the protected cell captive company, the sponsor shall
32 not be required to contribute additional capital and surplus to
33 the protected cell captive company's general account.

34 d. A protected cell captive company's capital and surplus
35 shall be available at all times to pay any expenses of, or

1 claims against, the protected cell captive company.

2 4. Notwithstanding chapter 507C or any other provision
3 of law to the contrary, in the event of an insolvency of
4 a protected cell captive company where the commissioner
5 determines that one or more protected cells remain solvent, the
6 commissioner may separate such cells from the protected cell
7 captive company and, on application of the sponsor, may allow
8 for the conversion of such protected cells into one or more
9 new or existing protected cell captive companies, or one or
10 more other captive companies, pursuant to a plan of operation
11 approved by the commissioner.

12 Sec. 22. NEW SECTION. 521J.20 **Participants.**

13 Individuals, business entities, and sponsors may be a
14 participant in a protected cell captive company. A participant
15 shall not be required to be a shareholder of a protected cell
16 captive company, or of the protected cell captive company's
17 affiliate.

18 Sec. 23. NEW SECTION. 521J.21 **Investments — combined**
19 **assets.**

20 The assets of two or more protected cells may be combined
21 for the purpose of investment by a protected cell captive
22 company, and combining the protected cells' assets shall not
23 be construed as defeating the segregation of the assets for
24 accounting or any other purpose. Protected cell captive
25 companies and protected cells shall comply with the applicable
26 investment requirements contained in section 521J.13; however,
27 compliance with such investment requirements shall be waived
28 for protected cell captive companies to the extent that credit
29 for reinsurance ceded to reinsurers is allowed under section
30 521J.14, or to the extent that waiver of compliance with the
31 investment requirements is deemed reasonable and appropriate by
32 the commissioner. The commissioner may exercise discretion in
33 approving the accounting standards used by the company.

34 Sec. 24. NEW SECTION. 521J.22 **Dormant captive companies.**

35 1. As used in this section, "*dormant captive company*" means

1 a captive company, other than a captive risk retention group,
2 that meets all of the following:

3 a. The captive company has ceased transacting the business
4 of insurance, including the issuance of insurance policies.

5 b. The captive company does not have any remaining
6 liabilities associated with its insurance business transactions
7 or insurance policies issued prior to the captive company's
8 filing of an application for a certificate of dormancy under
9 subsection 2.

10 2. Any captive company that is domiciled in this state and
11 that complies with this section may apply to the commissioner
12 for a certificate of dormancy. A certificate of dormancy shall
13 be subject to expiration five calendar years from the date that
14 the certificate is issued, and the commissioner shall not renew
15 a certificate of dormancy.

16 3. a. A captive company that has been issued a certificate
17 of dormancy shall comply with all of the following:

18 (1) The dormant captive company shall possess and maintain
19 unimpaired, paid-in capital and surplus of not less than
20 twenty-five thousand dollars.

21 (2) Within ninety calendar days of the dormant captive
22 company's fiscal year end, the company shall annually submit to
23 the commissioner a report on the company's financial condition,
24 verified by oath of two of the company's executive officers, in
25 the form and manner as established by the commissioner by rule.

26 (3) The dormant captive company shall pay an annual one
27 thousand dollar dormancy tax, due on or before March 1, if
28 for any portion of the immediately preceding calendar year
29 the captive company held a certificate of dormancy. Each
30 series of members and each protected cell shall be considered
31 separate for purposes of paying the annual dormancy tax under
32 a certificate of dormancy. A dormant captive company is not
33 otherwise liable for any annual renewal as provided in section
34 521J.2, subsection 4, paragraph "b".

35 b. A dormant captive insurance company that has been issued

1 a certificate of dormancy shall not be subject to or liable
2 for the payment of tax under section 432.1A from the date
3 the certificate of dormancy is issued through the date the
4 certificate of dormancy expires.

5 4. A dormant captive company shall be subject to examination
6 under section 521J.9 for any year in which the company does not
7 qualify as a dormant captive company. In the commissioner's
8 discretion, a dormant captive company shall be subject to
9 examination under section 521J.9 for any year in which the
10 dormant captive company qualifies as a dormant captive company.

11 5. Prior to a dormant captive company issuing an
12 insurance policy, the dormant captive company shall apply
13 to the commissioner for approval to surrender the company's
14 certificate of dormancy and to resume conducting the business
15 of insurance.

16 6. A dormant captive company's certificate of dormancy
17 shall be revoked if the company violates this section.

18 **Sec. 25. NEW SECTION. 521J.23 Workers' compensation —**
19 **compliance with state and federal laws.**

20 1. This chapter shall not be construed to exempt a captive
21 company, a captive company's parent, or a captive company's
22 affiliated companies from compliance with applicable state and
23 federal laws governing workers' compensation insurance.

24 2. This chapter shall not be construed to divest the
25 division of workers' compensation of any jurisdiction, as
26 authorized by law, over workers' compensation self-insurance
27 plans.

28 **Sec. 26. NEW SECTION. 521J.24 Books and records.**

29 1. a. Unless otherwise approved by the commissioner, a
30 captive company shall maintain the captive company's original
31 books, records, documents, accounts, vouchers, and agreements
32 in this state and make them available for examination
33 and inspection by the commissioner as requested by the
34 commissioner. The captive company may store and reproduce the
35 books, records, documents, accounts, vouchers, and agreements

1 electronically.

2 *b.* All books, records, documents, accounts, vouchers, and
3 agreements shall be kept in a manner that the commissioner can
4 readily ascertain the captive company's financial condition,
5 affairs, and operations; can readily verify the captive
6 company's financial statements; and can confirm the captive
7 company's compliance with this chapter.

8 2. Unless otherwise approved by the commissioner, all
9 books, records, documents, accounts, vouchers, and agreements
10 maintained by a captive company under subsection 1 shall
11 remain available in the state until the commissioner approves
12 destruction or other disposition of the books, records,
13 documents, accounts, vouchers, and agreements.

14 Sec. 27. NEW SECTION. **521J.26 Risk management of controlled**
15 **unaffiliated business — standards.**

16 The commissioner may adopt rules establishing standards to
17 ensure that a parent or affiliated company is able to exercise
18 control of the risk management function of any controlled
19 unaffiliated business to be insured by a captive company. If
20 rules are not adopted to establish standards pursuant to this
21 section, the commissioner may approve the coverage of such
22 risks on a case-by-case basis.

23 Sec. 28. NEW SECTION. **521J.27 Rules.**

24 The commissioner shall adopt rules pursuant to chapter 17A
25 to implement and administer this chapter.

26 Sec. 29. **FUTURE REPEAL.** Chapter 521G, Code 2023, is
27 repealed effective January 1, 2025.

28 Sec. 30. **APPLICABILITY.** The following applies January 1,
29 2025, to protected cell captive companies formed, authorized,
30 or continued on or after that date:

31 The section of this Act enacting section 521J.17.>